

VZCZCXYZ0002  
PP RUEHWEB

DE RUEHBY #0454/01 1330822  
ZNY SSSSS ZZH  
P 130822Z MAY 09  
FM AMEMBASSY CANBERRA  
TO RUEHC/SECSTATE WASHDC PRIORITY 1485  
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 9463  
RUEHJA/AMEMBASSY JAKARTA PRIORITY 5436  
RUEHBUL/AMEMBASSY KABUL PRIORITY 0276  
RUEHKO/AMEMBASSY TOKYO PRIORITY 3528  
RUEHWL/AMEMBASSY WELLINGTON PRIORITY 5774  
RUEKJCS/SECDEF WASHINGTON DC PRIORITY  
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY  
RHHMHBA/COMPACFLT PEARL HARBOR HI PRIORITY  
RUEKDIA/DIA WASHINGTON DC PRIORITY

S E C R E T CANBERRA 000454

NOFORN  
SIPDIS

E.O. 12958: DECL: 05/11/2019  
TAGS: [MCAP](#) [PREL](#) [AS](#) [CH](#)  
SUBJECT: DEBATE OVER DEFENSE WHITE PAPER

REF: (A) CANBERRA 422 (B) IIR 6V 814 1105 09

Classified By: Charge d'Affaires Daniel A. Clune. Reasons: 1.4 c) (d)

11. (S/NF) Summary: While public reaction to the government's long-awaited Defense White Paper's release on May 2 has been relatively muted, the opposition, media and academics have been debating the degree to which the perception of China's potential security threat influenced the document. The Opposition, in addition to charging that the government has exaggerated the Chinese threat, has also questioned the government's ability to pay for the large equipment purchases called for in the paper. Other observers view the Opposition's criticism as a cynical attack on a paper that largely reflects the views of the Coalition during the previous Howard government. The head of the intelligence agency Office of National Assessments characterized reports of a split between the intelligence agencies and the Defense Ministry over the China threat as a "cartoonish characterization of a nuanced conversation." End summary.

#### SIGNIFICANT CAPABILITIES BOOST

12. (U) When the long-awaited Defense White Paper was released on May 2, Prime Minister Rudd described the defense build-up called for in the paper "the most powerful, integrated and sophisticated set of military capabilities" in Australia's history. The future defense force systems are impressive and will cost an estimated A\$100 billion (U.S. \$74 billion) over the next two decades. The paper calls for significantly augmented naval and air capabilities. The submarine fleet, for example, will be replaced and doubled in size to 12. There will be a new fleet of 11 frigates and air-warfare destroyers, equipped, like the submarines, with cruise missiles. The air force will get about 100 Joint Strike Fighters. The army is also slated to add two more battle groups and the paper calls for sophisticated new missile, space and reconnaissance systems.

#### CONTROVERSIAL REFERENCE TO CHINA

13. (SBU) Attention by politicians, media and other observers has been focused on several paragraphs under the heading "The strategic implications of the rise of China." The paper notes that "by some measures, China has the potential to overtake the United States as the world's largest economy around 2020." It goes on to state that in coming decades "China will also be the strongest Asian military power, by a considerable margin. Its military modernization will be increasingly characterized by the development of power projection capabilities. A major power of China's stature

can be expected to develop a globally significant military capability befitting its size. But the pace, scope and structure of China's military modernization have the potential to give its neighbors cause for concern if not carefully explained, and if China does not reach out to others to build confidence regarding its military plans. China has begun to do this in recent years, but needs to do more. If it does not, there is likely to be a question in the minds of regional states about the long-term strategic purpose of its force development plans, particularly as the modernization appears potentially to be beyond the scope of what would be required for a conflict over Taiwan."

what would be required for a conflict over Taiwan."

14. (S/NF) This language, coupled with the maritime and air capabilities enhancement called for in the paper, point to China as Australia's primary regional threat. Although Australian Defense Force Chief (CDF) Air Chief Marshal Angus Houston told the media that the Chinese did not express concern over the paper when briefed ahead of the paper's release, press reports and other reporting indicate Beijing reacted very negatively to the implication that it could pose a threat. During a late April visit to Beijing to brief the Chinese, Deputy Secretary of the Australian Department of Defense and White Paper coordinator Mike Pezzullo was dressed down by Major General Jia Xiaoning, Deputy Director for Foreign Affairs in China's Defense Ministry, who demanded Australia make changes to the paper or suffer the consequences (ref B.) (A subsequent request by Australia to host Hong Kong-based PLA officers on board Australian vessels was denied.) Pezzullo's meetings with MFA and PLA official s were also characterized by similar frosty receptions. Pezzullo privately confirmed the account to the DATT on May

17. On May 6, the Global Times quoted Chinese Navy Rear Admiral Zhang Zhaozhong as attributing the expansion of Australia's military capabilities outlined in its White Paper to U.S. pressure. In an effort to soften the perception that China was being singled out, Defense Secretary Nick Warner told the Australian Associated Press that rather than posing a threat, he and Houston viewed China "as an opportunity."

#### OPPOSITION CHARGES CHINA THREAT EXAGGERATED

15. (C/NF) The Australian public reaction has been low key. The Opposition leadership, on the other hand, has slammed the paper both for its cost and for exaggerating the threat posed by China. Opposition Leader Malcolm Turnbull, however, has found himself in the awkward position of attacking a paper with which, as one senior media observer told us, the Howard government would have been quite comfortable. Turnbull has criticized the paper for being too focused on a major conflict with China: "Something most people would regard as being very unlikely and not realistic in the context of Australia's future relations and future strategy in the Asia Pacific." Turnbull also declared that the government had no idea "how it is going to pay for this dramatic expansion in our military hardware." Former Howard Foreign Minister Downer had earlier told us that Rudd was sending confusing signals in the White Paper, talking up the benefits of a growing relationship with China while promoting a hawkish view of Beijing's military build-up (ref A).

16. (SBU) Conversely, others have criticized the Opposition for its position. Executive Director of the Sydney Institute Gerard Henderson praised the White Paper but slammed Opposition leader Malcolm Turnbull for his claim the government is exaggerating the threat of China. The Foreign Editor of the "The Australian", Greg Sheridan, wrote: "Opposition Leader Malcolm Turnbull ended up criticizing Rudd's defense policy from the left, saying it was too hawkish on China. When that's the best the Liberals can come up with, the Rudd Government will lose no votes on defense."

#### RIFT BETWEEN DEFENSE AND INTELLIGENCE COMMUNITIES?

17. (U) Just prior to the release of the Defense White Paper, articles in the Australian press reported a deep rift

had developed inside the defense and intelligence community over how to assess China's long-term capabilities and intentions, including plans to acquire long-range submarines and aircraft carriers. According to the reports, Defense Deputy Secretary Michael Pezzullo, principal drafter of the paper, prevailed with his view that China will eventually exercise its growing military power and challenge the long-held primacy of US military power in East Asia. Classified intelligence assessments prepared last year by ONA and DIO reportedly played down the risk of a major conventional war involving China and the U.S. over the next two decades, perceiving China's military build-up as largely a defensive response to the perceived threat of U.S. naval power in the Pacific.

#### INTELLIGENCE CHIEF DENIES RIFT

¶8. (S/NF) In a April 24 meeting with the Charge and POLCOUNS, Peter Varghese, Director General of the Office of National Assessments (ONA - the analytical arm of the intelligence community that reports directly to the Prime Minister), dismissed press reports of a serious split between the defense and intelligence communities as "cartoonish characterizations of a nuanced conversation" between the IC and the Defense establishment. Varghese explained that the defense establishment must produce scenarios that take into account all possible situations and then recommend force levels to meet all these contingencies. By necessity, the defense analysts must include in their scenarios "low probability but high impact events" and make recommendations accordingly. The intelligence community, on the other hand, deals in assessing a broad range of probabilities and does not recommend force or expenditure levels. Varghese said that what is important is that there is "little divergence" in what the defense and intelligence communities see as China's motivations to influence its periphery and to prevent the U.S. from being able to militarily operate in defense of Taiwan.

¶9. (C) Some media and local pundits erroneously seized on Secretary Gates' U.S. defense budget announcement in early April as evidence that the U.S. had downgraded the threat posed by China, claiming the budget reflected a shift in focus from conventional to non-conventional capabilities and ignoring U.S. explanations that it was primarily about bringing expenditures in Iraq and Afghanistan into the baseline budget.

¶10. (C/NF) COMMENT: After the year-long lead up to the completion of the White Paper, it is perhaps not surprising that the release was anti-climactic, with very little public reaction to the paper's strategy or even cost. Malcolm Turnbull, desperate for an issue that would dent Mr. Rudd's consistently high poll numbers, has not found one with his attacks on the paper's stance towards China. Perhaps a more serious impediment to achieving the expanded force capabilities described in the paper is not political opposition, whether Mr. Turnbull continues to head the opposition or not, but rather the very high cost. With widening budget deficits, defense will come under increasing pressure to economize, and governments may find it difficult to meet the White Paper's target of 3 percent real growth in defense spending to 2017-18 and 2.2 percent real growth thereafter until 2030. Moreover, the expectation that the Department of Defense will be able to realize AUD 20 billion through a strategic overhaul of the Defense establishment may not be realistic. The public may become more restive when the bills start arriving. According to a poll released by Australia National University three days before the White Paper's release, over 70 percent of Australians oppose tax increases to pay for increased defense spending.

CLUNE